



# BUILDING THE HEART OF EMERYVILLE

Partnership and Operating Models for the  
Emeryville Arts and Cultural Center

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# Executive Summary

The Emeryville Arts and Cultural Center (“Arts Center”) is envisioned as a hub for artistic expression, cultural engagement, and community enrichment. As a vital and long-sought addition to the East Bay’s dynamic arts scene, ensuring its sustainability is crucial to its long-term success. The Center is envisioned as an artistic and cultural hub, adjacent to City Hall, which can house the annual Celebration for the Arts and offer a variety of cultural and arts programming via a dedicated nonprofit organization responsible for management and artistic oversight. The Art Center will focus on building and enhancing artistic and cultural literacy and community engagement through its programming, which will house exhibits, performances, and other arts, culture, and social offerings.

**The key components** of the Arts Center are flexible gallery space, a performing arts theatre, classrooms, support space (consisting of both office space for the resident organization and storage), and outdoor space sufficient for reception and events. Optional elements include a cafe, a gift shop, and kitchen suitable for catering.

This report contains a history and synopsis of the Arts Center project development and components, local arts market analysis, funding strategy recommendations, and operational partnership model recommendations that align with the Arts Center’s mission and long-term sustainability. Market analysis for the arts and arts nonprofits differs from traditional market assessments because the arts often function as a public good, meaning their value extends beyond direct consumer demand or financial return. This makes understanding audience engagement, community benefit, philanthropic support, and policy influences just as critical as evaluating immediate financial sustainability. To reach our operational model recommendations, we combined the Art Center visioning process input, the market analysis, and funding sources analysis and applied a set of criteria including financial feasibility for both the City and Arts Partner, strategic alignment, and risk assessment. The goal was to find the best balance between public oversight and community engagement, ensuring that the facility effectively fulfills its intended purpose while adeptly navigating the complexities associated with funding and management.

## Operational Model Recommendation:

The report develops and examines five operational models, spanning from a city-led model to a commercial lease model, on a continuum of oversight and responsibility for the city with varying funding structures and management approaches for each model.



**The goal: to find the best balance between public oversight and community engagement, ensuring that the facility effectively fulfills its intended purpose with artistic integrity, while adeptly navigating the complexities associated with funding and management.**



## Executive Summary, Cont.

The first recommendation is to adopt a hybrid City-Nonprofit operational model, that combines elements of city support and engagement with a nonprofit as the primary operator, managing programming and activities in the city-owned facility, enabling a mix of public oversight and private operational flexibility. This model opens multiple revenue streams and offers the highest financial feasibility for a long-running and stable arts organization. It combines the highest strategic alignment with the least risk and most viability for the ongoing and vibrant full use of the Arts Center as a community resource.

However, if initial fundraising goals are unlikely to be met, then a public-private partnership that relies on a developer to help finance the project will be necessary. The initial recommendation of the Arts Center Advisory Group eschews this model and prefers financing the project via a capital campaign that depends on public and private contributions. However, if this approach should be deemed unfeasible, or only partially feasible, it will behoove the city rethink this avenue and pursue a public-private partnership model for the purposes of affording construction and the furnishment of the Center. If it should do so, a careful negotiation will be necessary to achieve an agreement that is beneficial enough to the developer while maintaining community rights in the provision of programming at a level sufficient to maintain their viability in offering robust community arts programming. A clear and thoughtful set of expectations and responsibilities per partner is vital to the Center's success in either of these models, including an agreement about the long-term maintenance and care of the building, and future updates and renovations including technology and facilities.

## Other key takeaways:

**Partner Arts Organization and Facility have the opportunity to support employment and become a key area of private investment and resilient economic growth in Emeryville:**

- As a key component of the Rotten City Cultural District, the city could reasonably expect to leverage public and private dollars with an average return of \$5- \$7 for every \$1 invested.
- Every \$1 million that the city invests in nonprofit art and cultural organizations generates \$17.5 million in economic output and supports 385 jobs, according to a recent Bay Area Council report.<sup>1</sup>
- The arts and culture sector is one of the few areas of employment growth in the Bay Area economy post-pandemic, as other sectors contract. Arts, Entertainment and Recreation sector experienced the second highest growth in the State, at 3% in 2023-24, behind just healthcare (with 4.2% growth), and followed by Private Educational Services (2.8%). Growth for the entire sector in 2019-2024 was 5.9%.<sup>1</sup>

**The Arts community in the greater Bay Area is vibrant and productive**

- The Bay Area region is marked by a vibrant cultural community, with 3,042 arts, culture, and humanities organizations.
- Combined, these nonprofits employ 25,215 people, earn more than \$2 billion in revenue each year, and have assets of \$7 billion.<sup>1</sup>





## Executive Summary, Cont.

**Emeryville is well situated in the East Bay to attract and maintain a regional audience.**

- It is seated at a major transportation crossroad for the Bay Area.
- The Arts Center is directly adjacent to a well-trafficked retail hub, which produces the highest taxable sales per capita of the Bay Area region.
- Its residents have long worked towards establishing an Arts and Culture Center and are enthusiastic about the cause.

**The Partner Arts Organization running and animating the Arts Center needs to be “big enough”:**

- Arts organizations with operating budgets over \$1M receive over 75% of foundation funding. Operating budgets over \$1M were less likely to cease operation in any given year; they had a 90% survival rate, compared to 70-80% survival rate for those under 100K and 500K, respectively.
- Previous business plans for the Arts and Culture Center target a yearly operating budget of \$897,000. According to the US Bureau of Labor Statistics CPI Inflation calculator, this would be the equivalent of \$1.3 Million in 2025 dollars, which is right on the mark in terms of survival rates and ability to attract funding.
- It is also close to the budgets of similar-sized arts and cultural centers.

**The Partner Arts Organization needs to have lots of local support:**

- From individuals, who comprise on average 60% of arts nonprofit revenue
- From local government, which makes up the vast majority of government support for all nonprofit arts organizations.

**The Partner Arts Organization is recommended to provide:**

- Strong performing arts programming (27% of grant funding, the largest amount, targets the performing arts).
- Strong educational components (this was the source of 60% of earned revenue on average for arts and cultural organizations).
- Attractive spaces for year-round engagement and foot traffic to increase earned revenue as well as community support (i.e., cafe, gift shop, community events).

The Emeryville Arts and Cultural Center represents a transformative opportunity for the City to invest in a sustainable community asset that drives cultural vitality, economic resilience, and civic well-being. The hybrid City-Nonprofit operational model offers the best path forward, balancing public stewardship with the flexibility and expertise of nonprofit management. However, success hinges on early and decisive commitments—both financial and organizational—to secure the necessary capital, cultivate a capable operating partner, and build the long-term community and stakeholder support essential to the Center’s mission. With thoughtful planning, clear partnerships, and strategic investment, the Arts Center can become not only a vibrant gathering place for Emeryville but also a regional beacon for creativity, learning, and connection.

# Introduction and Overview

The Emeryville Arts and Cultural Center (“Arts Center”) is envisioned as a hub for artistic expression, cultural engagement, and community enrichment. As a vital and long-sought addition to the East Bay’s dynamic arts scene, ensuring its sustainability is crucial to its long-term success. This report sets forth recommendations for sustainable operating models for the both the establishment and long-term operation of the Arts Center.

The Center is envisioned as an artistic and cultural hub, adjacent to City Hall, which can house the annual Celebration for the Arts and offer a variety of cultural and arts programming. The Art Center will focus on building and enhancing artistic and cultural literacy through its programming, which will house exhibits, performances, and other offerings. Programs will be contemporary, cross-disciplinary, accessible, reflective of Emeryville’s dedication to innovation, and supportive of the artistic community in Emeryville and the surrounding region.

As part of the groundwork and research towards the development of an operating partnership model that best aligns with the Arts Center’s mission and long-term sustainability, this report includes:



Our focus is to develop the operational frameworks for the Arts Center, and estimate likely costs, based on a thorough understanding of the economic outlook of the region and the sector, and on the needs of the community.

1. Project history narrative
2. Project vision and community objectives
3. Arts & Culture market analysis
4. Philanthropic and public funding trends
5. Development and analysis of alternative operating partnership models
6. Recommendation of operating partnership models

The aim of this report is to explore and make recommendations for an effective arts center **operating model**, which examines how responsibility for the building, maintenance, and operations, including the artistic programming and visioning of the Arts Center, are allocated across partners.

Our focus is to develop the operational frameworks for the Arts Center, and estimate likely costs, based on a thorough understanding of the economic outlook of the region and the sector, and on the needs of the community. A forthcoming follow-up report will focus on internal organizational structures for an arts partner organization which animates the building, and its potential programs. It will examine the structures best suited for the day-to-day functions of the Arts Center, ensuring its sustainability, growth, and alignment with community needs. It will propose internal leadership structures, programming, examine the possibility of strategic partnerships with educational institutions and local businesses to identify opportunities for collaboration. These recommendations, along with the development of a capital campaign strategy, will round out the recommended approach for the creation of a thriving Arts Center in Emeryville.



# Project History

In March 2006, the Emeryville Redevelopment Agency (“Agency”) purchased 4060 Hollis Street, a property located immediately south of Old Town Hall, northeast of the Hollis Street and 40th Street intersection. The property is 33,697 square feet and is almost completely occupied by a one-story brick building constructed around 1942, formerly occupied by the United Stamping Company. The Agency purchased this site to adaptively reuse the existing building to provide space for the annual Emeryville Celebration of the Arts Exhibition, as well as year-round performing arts uses.

Since the 2006 purchase of 4060 Hollis Street, several planning and design iterations took place in 2006, 2011, 2012, and 2018. These included robust community engagement efforts and analyses of potential operational models. In February 2018, the city released a Request for Proposals (RFP), which resulted in the selection of Orton Development, Inc. (“ODI”) as the City’s development partner for the Art Center.

In September 2020, the City Council authorized the execution of the Lease Disposition and Development Agreement (LDDA) and Ground Lease with ODI for the Art Center. The LDDA required submission of a Financing Plan demonstrating that the Total Development Costs would not exceed \$12,900,000 or, if costs exceeded that amount, that sufficient grants or philanthropic donations had been secured. However, in December 2020, ODI reassessed the impact of the COVID-19 pandemic on the project, as well as rising construction costs, leading to a value engineering exercise and design changes. These changes were significant and were not supported by the community. Without the changes, the project’s Total Development Costs exceeded the \$12,900,000 limit and ODI did not provide evidence of grants or philanthropic donations. Due to the potential budget exceedance and concerns about the financing plan, the City provided notice of termination under Section 7.2 of the LDDA on October 11, 2022.


In April 2023, the City Council requested a study session to evaluate the feasibility of the project, as there is currently insufficient capital funding to support the construction of the Art Center as previously envisioned. In response, City staff released an RFP to solicit firms that would lead an updated visioning, operational model, funding evaluation, and feasibility study for constructing a new art center—either by repurposing the existing building structure or utilizing only the land at 4060 Hollis Street.

In February 2024, the City Council approved the selection of Art Is Luv (AIL) and Jean Johnstone Consulting (JJC) to lead this effort.

## Building Evaluation

AIL/JJC, through its subconsultant Leddy Maytum Stacy Architects (LMS), completed a feasibility study of the adaptive reuse of the existing structure at 4060 Hollis as compared to new construction. This study was informed by past community outreach and visioning, an exhaustive analysis of building assessments, staff reports, design plans and proposals by local firms, and lastly a series of comparative art space tours alongside staff interviews conducted by AIL/JJC and described above. The final report details a development program that includes flexible gallery space, performing arts space, classrooms and support spaces to allow for a comparative analysis of adaptive use and new construction.





The analysis found that the embodied carbon<sup>1</sup> and estimated construction costs of these two options are comparable, when considering the operating period for the building. In addition, new construction provides for more flexibility to meet the operational needs of art center uses. The analysis included high-level cost estimates and found that the construction costs range from \$38m to \$45m for adaptive reuse and from \$41m to \$46.5m for new construction. As these figures substantially exceed the approximately \$11m currently available for the project, a reduction in project scope, phasing of project elements, or identification of additional funding is required.

On October 10, 2024, and October 29, 2024, the ACAG met with representatives from AIL/JLC and LMS to discuss the analysis and implementation options. The ACAG expressed strong support for advancing the project comprehensively by identifying additional funding sources, rather than phasing the project. The ACAG also noted the importance of locating the Art Center near City Hall as part of the “civic center” of the City and recommended that staff engage the services of a capital fundraising consultant with experience in capital campaigns to develop options and a plan for funding.

### **Current Fiscal Position**

The current Capital Improvement Program includes the following appropriations for the Arts Center: \$5,430,975 in General Capital funds (Fund 475); \$3,800,000 in retained Agency non-housing bond proceeds (Fund 479); \$1,423,775 developer contribution from Pixar Animation Studios, remaining from the \$2,000,000 originally pledged specifically for the project (Fund 473); \$122,028 in General Plan Maintenance funding (Fund 225); and \$1,535 Major Maintenance funds (Fund 650). A total of \$10,778,313 is programmed for the project. As noted above, additional capital funds are required.

While the City has budgeted approximately \$11 million in capital funding for the Art Center, operational costs, as well as start-up funding, are unbudgeted. Operational costs will be analyzed as part of this report.

The estimated build cost of the Center in 2026 dollars is estimated at roughly \$60 Million, for which an incoming consultant will develop a capital fundraising strategy.

### **Recent Updates**

At the November 19, 2024 City Council Meeting, City staff posed these questions for consideration to the Mayor and City Council:

- 1) Does the City Council support the ACAG’s recommendation to implement the project inclusive of all of the desired key elements (flexible gallery space, performing arts space, classrooms and support space) comprehensively, rather than using a phased approach?
- 2) Does the City Council support the ACAG’s recommendation to retain the services of a capital fundraising consultant to support the development of a funding strategy for the project?
- 3) Does the City Council at this time have any preference as to whether the project is advanced as new construction or as adaptive reuse?

The City Council accepted the recommendation and directed City staff to implement the inclusive project comprehensively, as new construction, and authorized the search for a capital campaign fundraising consultant to develop a strategy to fundraise for the project. This landscape, scope, and history frame the following sections and provide the backdrop for market analysis, funding source analysis, and development of partnership models.

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<sup>1</sup> Embodied carbon refers to the emissions associated with materials and construction processes throughout the whole lifecycle of a building or infrastructure. This is typically associated with any processes, materials or products used to construct, maintain, repair, refurbish and repurpose a building. <https://ukgbc.org/our-work/topics/advancing-net-zero/embodied-carbon/>



## Project Vision and Community Objectives


Since its early conception as a space to host the annual Celebration for the Arts in Emeryville, to the 2006 purchase and donation of the building and beyond, the Emeryville Arts and Cultural Center has been highly anticipated and valued by community members, artists, and City leadership alike. This section outlines the community’s objectives for the Center, developed through years of focus groups and interviews. The vision for an artistic and cultural hub, adjacent to City Hall, which could house the annual Celebration for the Arts and offer a variety of cultural and arts programming has inspired the community to tenaciously support its development, fostering a sense of unity and excitement about the possibilities it presents for enhancing local creativity, enrichment, and engagement.

In recent community outreach efforts and interviews with local stakeholders throughout 2024, we determined that there has been little change in the last 16+ years in the community’s desire for the Arts Center. The deliverables and objectives have remained remarkably steady. There is now, however, a sense of palpable frustration with the perceived stalling of the project, coupled with the excitement of a younger generation at the possibility of its actualization.

This actualization in full is one of the main objectives of the community. In late 2024, Emeryville’s Art Center Advisory Group, after receiving the recommendations on the physical structure’s viability, made the proposal to the city to find a fundraising strategist and create a plan for a comprehensive capital campaign, raising the amount needed, less the \$11 million currently available, to build and outfit the Arts Center in full. The city accepted, with all members of City Council supporting the initiative, and a search for a capital campaign strategist is underway. The community seeks a buildout of the full design of the Center, based on their recommended components, rather than accepting a modest or phased version that does not fulfil the vision of the Center. This follows the events of 2020-2022, when an earlier, accepted plan for the design and construction of the Arts Center came to a halt after being reduced in scope due to increased costs, diminishing key aspects of the Arts Center. The Arts Center Advisory Group and the City of Emeryville are seeking to conscientiously avoid this outcome, and to raise the funding necessary to achieve the full project, to satisfy the long-held desires of the Community. The key pieces of the Center were determined to be: **flexible gallery space, performing arts theatre, classrooms, support space (office and storage), and outdoor space sufficient for reception and events**. Optional elements included a cafe, a gift shop, a kitchen suitable for catering.

In the earliest visioning work on this project in 2007-08, Museum Management Consultants, Inc. of San Francisco led four focus groups, engaging artists, the general public, young professionals, and Emeryville business leaders. The resultant 2009 report assessed community perceptions and potential impacts of the Emeryville Arts Cultural Center, emphasizing its role as

an accessible, community-based art space. “It became apparent over the course of the focus groups that there is a real excitement and energy about bringing an art center, and all of its accompanying activity, to Emeryville.” The participants expressed optimism for the Art Center as a vibrant hub for diverse, high-quality programming. They uniformly expressed strong support for the Emeryville Arts and Cultural Center, highlighting the importance of local artist representation and diverse programming. There was collective belief in its potential to create a vibrant, engaging space that fosters community connection and cultural enrichment. It was envisioned as the “heart” of Emeryville. A summary of key findings follows; see Appendix for the full report:

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- **Art centers are perceived as community-based, hands-on, and accessible**
    - Focus group participants view art centers as community-based, hands-on spaces, expressing their preference for this kind of model, and contrasting them with the formality of museums.
    - The combination of the visual arts space and performing arts space, with a cafe that could be open after 6 pm, was most compelling to participants
    - The Art Center is seen as a potential gathering place for Emeryville, with comments indicating it could become the city's "heart" and a true asset to the community and surrounding area.
    - Community members expressed a desire for low or no admission fees to encourage frequent visits to the Art Center.
  - **The Art Center has potential as a destination in Emeryville**
    - Participants want a dynamic Art Center with unique offerings
    - Overall, programs received higher ratings than exhibitions, with film festivals and contemporary art exhibitions also receiving strong support.
    - Participants emphasized the importance of creating a dynamic space that features diverse offerings and engages a broad audience
    - Participants gravitate toward programs and exhibitions that include socializing
  - **Businesses support the formation of the Art Center**
    - Participants in the business owners/leaders focus group said their companies and other companies in the area would likely be interested in supporting and/or partnering with the Art Center.
  - **All aspects of the Art Center, from personnel to programs, should be high quality**
    - There is a consensus that the Art Center must maintain high quality in all aspects, including exhibitions, programs, and operations.
    - The focus group highlighted the need for a top-notch Executive Director to ensure the Art Center's success and excellence.
  - **Artists want the Art Center to serve the artist community**
    - Local artists seek collaboration and opportunities, emphasizing the need for a dynamic space that engages a broad audience.
    - The group recommended other programming, such as a dance series, collaborations with local businesses, artists-in-residence, and internships as ways to bring the artistic community together with the general public.
    - Participants envisioned making the gift shop an extension of the exhibition space by selling the work of local artists, and creating a small gallery space for very short-term exhibitions of local artists.

The consultants developed a series of reports including a business plan and strategic plan based on the results of their research and focus groups. They also determined the main audience and key objectives. These were their results:

**Who is the audience?** *As a gathering place for educational, aesthetic, and intellectual experiences, the Art Center will serve the Emeryville community and beyond. The Art Center will be a vital and appealing venue for civic, business, and social events, and will be designed to accommodate changing needs and reflect the latest in technology.*

**What are the key objectives?** *The Art Center will focus on building and enhancing artistic and cultural literacy through its programming, which will house exhibits, performances, and other offerings. Programs will be contemporary, cross-disciplinary, accessible, reflective of Emeryville's dedication to innovation, and supportive of the artistic community in Emeryville and the surrounding region.*





Based on the refresh visioning and interviews done by AIL/ JJC with the Arts Center Advisory Group in 2024-2025, we recommend that the majority of these components and objectives stand. A refreshed mission, vision, and objective will be developed as part of the next report on the organizational structure and entity which manages and animates the Arts Center building.



# Market Analysis

The arts sector as a whole is complex and unique. California's arts and entertainment economy is the largest in the world. According to the U.S. Bureau of Economic Analysis, it directly contributed \$507.4 billion (14.9%) of California's \$3.4 trillion economy. However, the sector itself contains some of the largest wage variations in any industry, ranging from highly paid movie executives to low wage gig-workers. Over one third (35.4%) of the 644,000 Arts & Culture workers in California are self-employed and without the benefits and protections of traditional employment, compared to 11.8 percent of the overall population.<sup>2</sup> It is a sector populated by both for-profit and nonprofit companies, as well as a high degree of self-employed individuals.

Given these factors, a market analysis of the arts sector in a region is a more complicated equation than for that of a standard for-profit business, in part because traditional supply-side economics does not encapsulate the entire arts sector. As such, an examination of the variety and variability of philanthropic funding sources and other partnerships with which the sector functions is also critical. Recognition of the role of government intervention to address market failures in arts funding is also a component in any analysis of the arts, culture and entertainment sector. Incorporating community values and engagement, as well as the importance of the arts to communities and its effect on them, both in terms of economics and of community cohesiveness and health, also provides a more valuable and accurate framework.

Arts nonprofits operate in a distinct sector that exists between the public and private spheres, maintaining both independence from and interaction with for-profit enterprises and government institutions. Nonprofits are mission-driven, committed to advancing the public good rather than maximizing profit. In the U.S., the modern nonprofit model gained prominence in 1954 and then 1969 with the Tax Reform Act, which granted 501(c)(3) organizations tax-exempt status and the ability to receive government funding, and incentivized giving, particularly from those in high income brackets who receive a larger deduction based on their tax bracket. The majority of arts giving comes from those with higher incomes. Only 2% of charitable donations by individuals making under \$200,000 went to the arts, while 15% went to the arts from those making over \$200,000; and 15% of those making \$1 Million in Adjusted Gross Income per year.<sup>3</sup> Yet the majority of US arts contributed income came from individual and philanthropic giving, with \$25.26 billion donated to the arts, culture, and humanities in 2023.<sup>4</sup> For perspective, \$25.26 billion divided by the 334 million population of the US is approximately \$75.62 per capita. In contrast, all governmental support combined (state, local, and federal) accounted for \$2.28 billion, for an aggregate per capita investment of \$6.83. Adjusted for inflation, this is \$3.94.<sup>5</sup>

Market analysis for arts nonprofits, therefore, also differs from traditional market assessments because the arts function as a public good, meaning their value often extends beyond direct consumer demand or financial return, as well as their frequent incorporation as nonprofits. This makes understanding audience engagement, philanthropic support, and policy influences just as critical as evaluating financial sustainability.

In the following section, we will begin by describing the overall arts landscape, examining national as well as local trends, to better position our understanding of the arts market. We will combine this with data from the US Census and California Employment Development Department to understand the broader areas of growth and contraction in the market overall, to have a sense of how well this particular niche of the economy is

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<sup>2</sup> WolfBrown 2022

<sup>3</sup> NEA 2012

<sup>4</sup> Indiana University Lilly Family School of Philanthropy 2024

<sup>5</sup> GIA 2024



operating.

We will then examine comparative city-level data and research on community satisfaction, belonging, and happiness; and data on the typical returns on investment or ROI seen in US Cultural Districts, both formal and informal, as well as the ratio of investment by local government to induce meaningful private investment in this area. We will present local and national trends in arts nonprofit sustainability and viability and provide an overview of funding source analysis for this market, covering public funding opportunities, private philanthropy, earned income potential, and the impact of current legislation and regulations on the Arts. All of this information combines to undergird the development of appropriate operational and partnership structures for the Emeryville Arts Center.

## National Trends

Understanding how the local arts economy fits into the national landscape provides insight into this market and the development of sustainable funding approaches. To contextualize regional arts trends, we examined the following national data.

**Who participates?** The National Endowment for the Arts tracks engagement, noting in its 2022 report that 48% of adults attended at least one in-person arts event, 53% created art, and 75% consumed art via digital media.<sup>6</sup> While attendance declined due to, and since, the COVID-19 pandemic, outdoor and public-space arts events saw an increase in attendance.<sup>7</sup>

But of course arts participation can also be measured not by audience, but by those who create art or work in arts-related industries. For example, 732,260 people (3.9% of the workforce) in California reported an arts-related occupation as their main or secondary job.<sup>8</sup> For perspective, all healthcare-related employment makes up 7% of the CA workforce, according to the CA Employment Development Department.<sup>9</sup> Both of these occupations are areas of high growth, according to CVL Economics' Bay Area 2025 Economic Report.<sup>10</sup>

**Challenges to sustainability:** While the arts economy for the US as a whole makes up 4.3% of the GDP at \$1.3 Trillion,<sup>11</sup> that of California towers at 14.9%, or \$507.4 billion of California's \$3.4 trillion economy.<sup>12</sup> However, nonprofit arts organizations have historically struggled with financial sustainability. Between 2007 and 2013, the percentage of arts nonprofits operating at a deficit ranged from 36% (in a strong economy) to 45% (during a recession).<sup>13</sup> Even in periods of economic growth, over 40% of organizations failed to generate positive net income, demonstrating the persistent financial challenges in the sector, due to the failure of the broader governmental and philanthropic systems to recognize the necessity of stronger public support in the provision of public goods.

Additionally, the COVID-19 pandemic had an outsize effect on the arts and culture sector, which five years later is still struggling to recover. Broadway is "back" with 95% of pre-pandemic audiences as of March 2025<sup>14</sup>, but small to midsize theaters, initially buoyed by government assistance, are now reporting budget deficits. They

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<sup>6</sup> NEA 2022

<sup>7</sup> NEA 2022

<sup>8</sup> Bureau of Economic Analysis 2024

<sup>9</sup> Bureau of Economic Analysis 2024

<sup>10</sup> CVL Economics 2025

<sup>11</sup> Bureau of Economic Analysis 2024

<sup>12</sup> Bureau of Economic Analysis 2024

<sup>13</sup> Americans for the Arts 2016

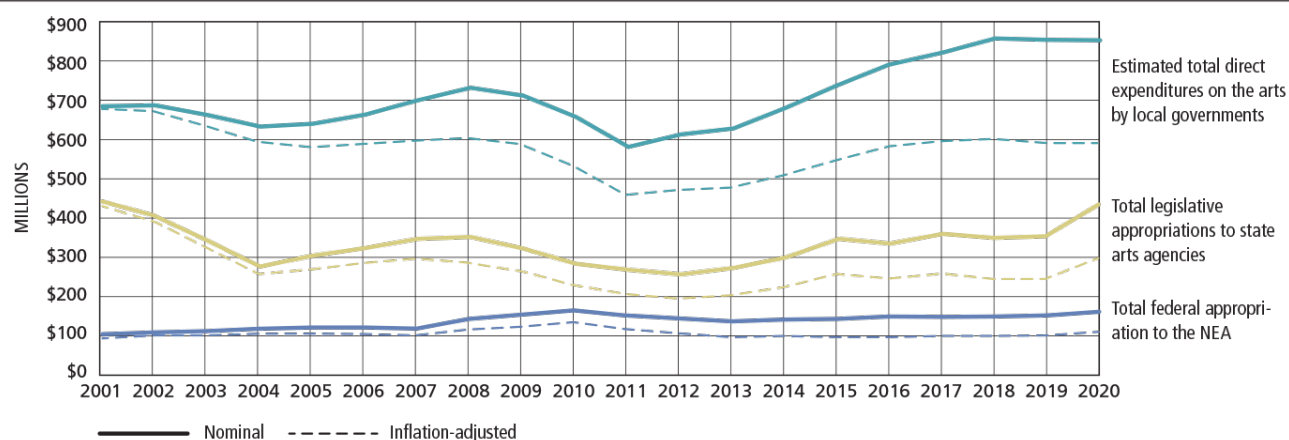
<sup>14</sup> Small 2025



are programming fewer shows and attracting smaller audiences than they did prior to the pandemic. For-profit and nonprofit arts workers are also insecure: according to a recent report by the CA Labor Lab, a large proportion of those in arts-related occupations have personal earnings below \$40,000/year (41.9%), household income below that level (20.3%), or household income at or below 125% of the Federal poverty level (10.4%). They also report that 51.4% of people in arts-related employment work as independent contractors. In the California workforce as a whole, excluding arts-related occupations, only 20.3% do.<sup>15</sup>

**Funding ratios:** Nonprofit arts organizations have often sought to achieve a 60-30-10 funding model, consisting of 60% earned revenue, 30% contributed revenue (individual giving, corporate sponsors, and private philanthropy), and 10% government funding (this could be local, state, or federal grants). However, the reality varies widely depending on the size and type of organization, and by arts discipline. Ratios of 50-40-10, 20-60-20, or 10-70-20 are all perfectly viable, as are programs that rely predominantly or entirely on government funding or private philanthropy to support programs such as arts education and other community benefit offerings.<sup>16</sup> Strong levels of earned income balanced by a similar amount of contributed revenue make for a strong budget, but the greater the amount of contributed revenue, the greater level of free or low cost arts experiences can be afforded. Within this varied framework, national funding trends consistently illustrate the ratio of various types of government spending on the arts, with the vast majority of spending coming from local government, followed by state funding, and finally a small proportion of Federal funding, as illustrated below<sup>17</sup>:

**FIGURE 2. Federal, state, and local government arts funding, nominal and inflation-adjusted dollars, 2001–2020**



Federal, state, and local government arts funding, nominal and inflation-adjusted dollars, 2001–2020. Inflation-adjusted figures are represented by corresponding lines below each source. Inflation adjustments are calculated using Bureau of Labor Statistics Consumer Price Index (CPI) figures with a base year of 2001.

Source: GIA Reader, Vol 31, No 1 (Winter 2020)

**The Impact of the current federal administration on arts and culture funding:** Current Federal Funding has been stopped for many projects, with NEA grants across the country rescinded as of early May 2025. Over 80 Bay Area arts organizations had their funding rescinded<sup>18</sup>, and at least 28 of these were San Francisco based.<sup>19</sup> The agency itself may cease to exist; in any case, this source of funding is highly insecure and future grants will be rarer and more difficult to obtain.

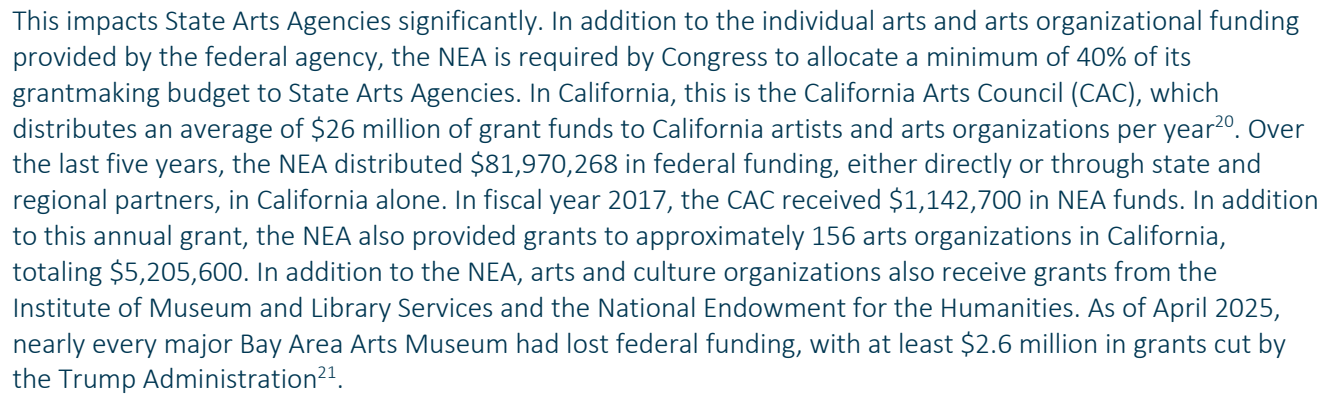
<sup>15</sup> Yelin, et al 2023

<sup>16</sup> Cohen 2021

<sup>17</sup> Stubbs 2020

<sup>18</sup> Heller 2025

<sup>19</sup> Yang 2025



In this scenario, for the arts to survive a loss of funding due to decreases in both federal and state grants, pressure will come to bear on private philanthropy and local government to step up their commitment to their communities. While some private philanthropies have sprung to action in response to the NEA funding reversals, it remains to be seen how ubiquitous and far reaching this response will be.

**Earned Income:** Many arts nonprofits strive to strengthen earned income as it can be a steadier source of funds than grants. Dependence on the audience's ability to pay is impossible for some nonprofit organizations who specifically serve those who cannot afford services; others offer services and programs at reduced costs, yet this remains a strong source of funding for many organizations. Performing Arts Centers and Arts Education have the highest ratios of earned income on average, according to SMU DataArts<sup>22</sup>:



21 Mondros 2025

22 Stubbbs 2020



### Key takeaways:

- Strong local support in all its forms (earned revenue, individual giving, and local government support) are necessary to achieve a stable and successful organization.
- Individual giving is often a much larger portion of an organization's contributed income than government grants.
- Local government support forms the vast majority of government funding.
- Federal and State support will be unpredictable for the next few years, as Federal Arts funding is slashed, and as the State of California faces a massive budget shortfall, plus an increase in demand for services as other federal services are reduced.
- Performing Arts Centers and Arts Education programs have the highest ratios of earned income on average.

### The Bay Area Arts and Culture Landscape:

The greater Bay Area is marked by a vibrant cultural community, with 3,042 arts, culture, and humanities nonprofit organizations.<sup>23</sup> Combined, these nonprofits employ 25,215 people, earn more than \$2 billion in revenue each year, and have assets of \$7 billion according to 2024 IRS data.<sup>24</sup>

The numerous cultural and artistic ventures are in some senses difficult to tally, spanning as they do nonprofit, for profit, and many individual endeavors. The 11,623 cultural economy for-profits in the Bay Area outnumber the nonprofits, 50% of which are either classified as Architectural Services, Graphic Design, Commercial Printing, Independent Artists, Writers and Performers, and Photography Studios.<sup>25</sup> There are many local tallies, many not comprehensive but aiming to detail specific niches: Oakland alone boasts over 50 art galleries; and it is reported to have over 200 arts nonprofits, generating over \$85 million annually and employing around 1,500 full- and part-time employees.<sup>26</sup> A recent research report by SMU DataArts identified 124 non-profit East Bay dance, theater, and performing arts organizations, excluding multidisciplinary organizations, 24 of which are micro-organizations with operating budgets under \$60,000 annually.<sup>27</sup> Berkeley counts roughly 45 arts organizations in its roster at the Berkeley Cultural Trust.

However, the most accurate tally of the size, employees, revenues, and assets of nonprofit arts organizations comes from IRS data, as reported above, and in the following chart, for the greater Bay Area region: However, the most accurate tally of the size, employees, revenues, and assets of nonprofit arts organizations comes from IRS data, as reported above, and in the following chart, for the greater Bay Area region:

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<sup>23</sup> CausalQ 2024

<sup>24</sup> CausalQ 2024

<sup>25</sup> SustainArts n.d.

<sup>26</sup> Letourneau 2023

<sup>27</sup> Kenneth Rainin Foundation 2024





Nonprofit type	▼ Number	Employees	Revenues	Assets
<a href="#">Performing arts organizations</a>	970	13,833	\$639,998,610	\$1,722,067,892
<a href="#">Arts and culture promoting and producing organizations</a>	900	3,446	\$227,324,968	\$425,636,734
<a href="#">Cultural and ethnic awareness organizations</a>	397	1,987	\$85,808,895	\$161,136,708
<a href="#">Media production and publishing organizations</a>	360	2,701	\$444,072,812	\$912,589,710
<a href="#">Music festival and event organizations</a>	243	1,385	\$78,918,476	\$198,101,598
<a href="#">Theaters</a>	178	3,408	\$112,920,579	\$291,756,943
<a href="#">Film and video production organizations</a>	157	630	\$93,533,484	\$136,245,929
<a href="#">Historical societies and organizations</a>	148	148	\$36,667,050	\$92,062,161
<a href="#">Museums</a>	148	3,580	\$428,445,391	\$3,025,492,006
<a href="#">Dance organizations</a>	147	877	\$42,574,934	\$64,278,757

Regardless of categorization, it is fair to say that the ecosystem is varied and vibrant. We will now turn our attention to the threats and trends within this landscape.

### Threats and Competitive Landscape

In a traditional market analysis for a for-profit corporation or business venture, one would analyze like-businesses to understand the competitive landscape, as one of several possible threats which afflict business. Competition, while possible and worth considering in some programmatic functions, is nominal for entities that usually, – at least partially– focus on providing public goods. As such, in the arts and culture realm, when we focus on the nonprofit arts providers with less easily commodifiable products, "competition" is frequently regarded not as another dance group in the same city, but as those cultural shifts and events that are perceived to draw audiences away, such as a drop in arts education provision which stems the development of audiences; or crisis such as Covid-19; as well as the introduction and proliferation of first digital media and now AI.

These concerns, coupled with other external factors such as the rapidly changing nature and accessibility of contributed income from government sources, and the decrease in the value of dollars due to inflation, and the stress of tariffs all contribute to increase the impact of Baumol's Cost Disease<sup>28</sup>, which troubles nonprofit arts organizations even in the best of economies.

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<sup>28</sup> Baumol's Cost Disease describes the phenomenon of rising wages in jobs where productivity hasn't improved, simply because wages are going up in other jobs where productivity has grown. As a result, these sectors get more expensive over time since their costs go up, but their productivity doesn't. This usually affects service industries like healthcare, education, and arts and culture more than manufacturing.



The entertainment landscape has shifted. This has been the case for some time, however that rate has increased exponentially in the last couple of years with AI's advent and widespread adoption, and the US federal administration swift and deep changes to social programs that have been well established for 60 years.

With the availability of the arts digitally, people are drawn to arts in community spaces not only to hear and see performances, films, and visual art works but to experience the arts with others -- sharing social connections. Creating space for human connection and meaning-making, and the resulting growth in community belonging, remain the forum of the arts and culture organizations that animate our lives.

### Bay Area Arts Organizations' Viability

The viability of a nonprofit arts organization is directly correlated to their budget size. Sustain Arts found that approximately 20% of Bay Area arts nonprofits ceased operations, with smaller organizations (revenues under \$100,000) facing the highest closure rates.<sup>29</sup> Larger organizations are also funded more generously by foundations: those with budgets over \$1 million receive over 75% of foundation arts funding, despite comprising less than 15% of nonprofit arts organizations.<sup>30</sup>

### Local Trends

Let's look now at the intersection of broader economic trends with the arts and culture sector. Economic growth rates are predicted to slow considerably.<sup>31</sup> Across California the cost of living is not expected to ease anytime soon, and this, combined with a shortage in housing stock statewide, has hampered the growth in our region significantly. In the East Bay, recent trends in population decrease: nearly 40,000 more people moved out of the East Bay area than moved into the area in 2021.<sup>32</sup> Emeryville has seen a 1.3% decrease in population since 2020 according to the US Census Bureau, but this is less than the average loss for the Bay Area region, which saw a drop of 2% from early 2020 levels.<sup>33</sup> CVL Economic's forecast for 2025 states, "Although the East Bay's economy will continue to expand over the next few years, the rate of growth will be much lower compared to the previous decade, and workforce expansion will cool significantly. Moreover, several issues need to be addressed meaningfully in the immediate term, including cost of living, population decline, and the contraction of high-wage industries."<sup>34</sup>

**What are the areas of contraction and of growth?** The sectors of Manufacturing, Information, and Construction saw the biggest drops in California employment from 2023 to 2024 (with -3.4, -2.2, and -1.3, respectively). The highest areas of growth were in healthcare (4.2% growth) and the Arts, Entertainment and Recreation sector (3% growth), followed by Private Educational Services (2.8%).<sup>35</sup>

In the East Bay, roughly 18,800 people are employed in the Arts, Entertainment and Recreation sector, according to the Bureau of Labor Statistics, California Employment Development Department.<sup>36</sup> The region saw growth in this sector by 1.1% in the last year, but significantly higher in neighboring Oakland, with a mighty growth rate at 3.8%, behind only Government workers as a growth sector. Overall growth for the period 2019-

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<sup>29</sup> Sustain Arts (n.d.)

<sup>30</sup> Sustain Arts (n.d.)

<sup>31</sup> CVL Economics 2025

<sup>32</sup> CVL Economics 2025

<sup>33</sup> California Department of Transportation 2025

<sup>34</sup> CVL Economics 2025

<sup>35</sup> CVL Economics 2025

<sup>36</sup> California Employment Development Department. (n.d.)



2024 was 5.9%.<sup>37</sup>

The strength and resilience of this sector makes it an underleveraged resource as the region looks to new areas of growth in the changing demographics and shifting economic factors of the 2020s. In addition to the ROI expected from Cultural Districts, this is an area of potency not yet fully realized in the East Bay region.

### **Status of Local Arts and Culture Organizations:**

The East Bay, as previously established, is home to a dynamic arts community with a dense network of organizations contributing to the cultural ecosystem. Funding patterns indicate a concentration of resources among larger organizations, leaving smaller nonprofits vulnerable despite their essential role in cultural diversity and accessibility, and despite their positive effects on the surrounding communities' property values and community cohesiveness and health.

Locally, the Bay Area's arts scene is marked by a high concentration of both nonprofit and for-profit arts institutions. Reports such as the Sustain Arts/Bay Area analysis reveal that for-profit arts organizations vastly outnumber nonprofits, however independent artists, designers, and photographers make up a significant portion of the creative economy as well. Although nonprofit organizations are vital to the fomentation of the arts, community health, and public participation, their direct contribution to the GDP is less than those of their for-profit corporate cousins who produce easily commodifiable cultural products. That said, due to the function of nonprofit art and culture organizations as public goods, they are an essential tool for communities and municipalities to create sustainable growth, leveraging public and private dollars with an average return of \$5- \$7 for every \$1 invested<sup>38</sup>. They also increase the livability, health, and surrounding property values of their communities.

Yet nonprofit survival rates are a concern, particularly for smaller organizations, and foundation funding is disproportionately directed toward institutions with annual budgets exceeding \$1 million.<sup>39</sup> Audience demand is influenced by demographic shifts; changes in leisure spending; and declining arts education, which has weakened long-term engagement with arts institutions overall. But audience demand is only one part of the arts ecosystem's economic picture. Art production and engagement persist and grow across all genres and mediums, and a lack of government funding results in oversubscribed funding cycles. There is a huge demand for arts creation and participation, but much of this is supplied through contributed revenue, not earned revenue. It would be a mistake to assume that because an arts organization's earned revenue is low, that demand for its product is low, or that it is oversupplied. Nonetheless, the struggle for sustainability can be acute.

To navigate this landscape, local stakeholders— artists, other cultural organizations, policymakers and, vitally, community members—will be critical to forming sustainable strategies for a new arts center in the East Bay. Understanding community needs, and evolving funding mechanisms will inform the development of a resilient operational model. Engaging with local government, philanthropic entities, and grassroots initiatives will be essential in ensuring that the arts are a vital and accessible component of the region's cultural fabric.

### **Who lives in Emeryville? Demographics**

In Emeryville's 1.5 square miles reside roughly 12,732 people.<sup>40</sup> Emeryville occupies a sliver of East Bay land

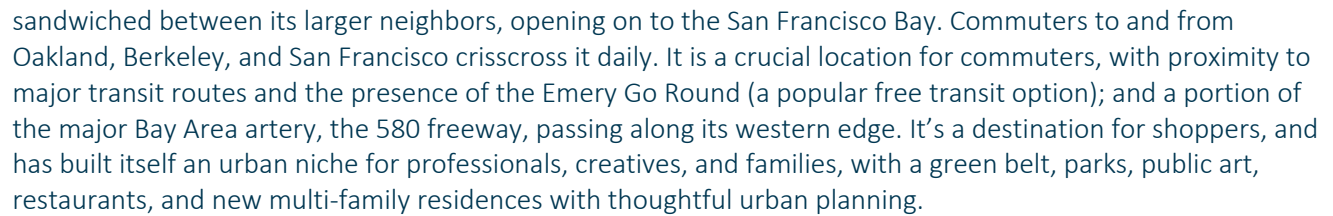
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<sup>37</sup> CVL Economics 2025

<sup>38</sup> Americans for the Arts 2014

<sup>39</sup> Sustain Arts (n.d.)

<sup>40</sup> U.S. Census Bureau 2023



For the purposes of this report, we will compare Emeryville’s demographics with these two neighbors, Oakland and Berkeley, to give a sense of Emeryville’s unique qualities and position within the Bay Area and East Bay specifically.

Comparatively, Emeryville's population has fewer children than residents of Berkeley or Oakland, yet it is substantially more diverse than Berkeley in terms of race and ethnicity, and has a higher median income than both Oakland and Berkeley.<sup>43</sup>

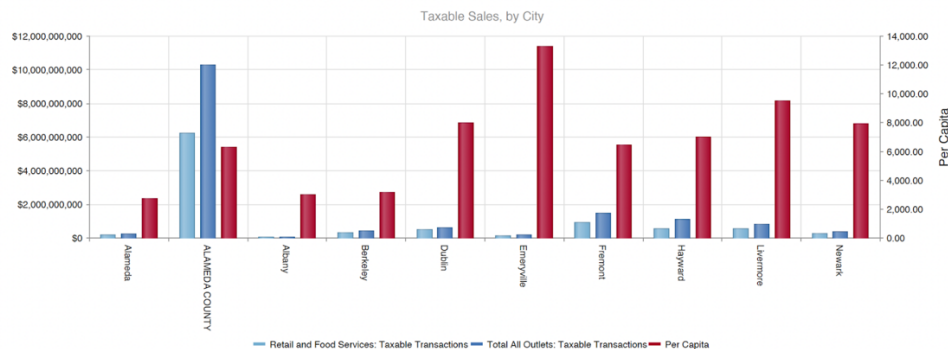
Households	173,179	46,762	7,647
Persons per household, 2019-2023	2.49	2.3	1.67
Median households income (in 2023 dollars), 2019-2023	\$97,369	\$108,558	\$120,302
Language other than English spoken at home, percent of persons age 5 years+, 2019-2023	39.90%	29.80%	37.40%

PARTNERSHIP AND OPERATING MODELS FOR THE EMERYVILLE ARTS CULTURAL CENTER | PAGE 20

either Oakland or Berkeley, at just under \$600,000; this figure is \$925K in Oakland and \$1.35M in Berkeley. However, in Emeryville just 30% own their homes; this is 11% less than Oakland, and 13% less than Berkeley.<sup>44</sup>

Emeryville's housing is predominantly composed of condominiums. This might indicate that there would be a higher degree of transience in Emeryville than in surrounding communities, which can affect some amount of audience development; however data over the last 10 years suggest that the population in Emeryville has remained very stable and, in fact, grown, with less attrition than either Berkeley or Oakland, in part due to its proactive housing policies.<sup>45 46</sup> However in either case, and although its population and square mileage is quite small compared to its neighbor cities, its demographics suggest a strong market for an Arts and Cultural Center and its programs, based on the Arts Participation Research by the National Endowment for the Arts.<sup>47</sup>

Emeryville is also where the East Bay goes to shop, with the retail share per capita overwhelmingly higher than any other city in Alameda County<sup>48</sup>, indicating the high level of non-residents who spend their time and money in Emeryville, compared to other East Bay cities. This all bodes well, potentially, for an arts center in this location.



Source: California Department of Tax and Fee Administration. Taxable Sales, by City, Charts View

The combination of Emeryville's own demographics, its role as a crossroad for commuters, and its serving as the largest shopping destination in the East Bay are strong components in the development of a robust audience for an Arts and Cultural Center and its activities.

## Community benefits

A high concentration of the arts in a city leads to greater civic engagement, more social cohesion, higher child welfare, and lower poverty rates, all of which have been well studied over the last decades.<sup>49</sup> These community benefits are also tied to high GDP growth rates. The Knight Foundation, in partnership with Gallup, produced a three-year national study on what makes people happy in their communities. They interviewed 43,000 people in 26 communities, and asked a range of questions about personal satisfaction with community life, about pride in the community, and about optimism about its future. The most highly desired social attributes of a

<sup>44</sup> U.S. Census Bureau 2023

<sup>45</sup> Ramos 2024

<sup>46</sup> Leonard 2024

<sup>47</sup> Nichols 2023

<sup>48</sup> CDTFA n.d.

<sup>49</sup> Americans for the Arts 2024





community were arts and cultural opportunities, at 35%, followed closely by social community events at 33%.<sup>50</sup> When people felt that their communities had strong offerings in these categories, their attachment to their community was stronger. The findings showed a significant correlation between community attachment and economic growth. In the third year of the study, researchers analyzed the connection between community attachment and economic growth and found that cities with the highest levels of attachment had the highest rate of GDP growth.<sup>51</sup> These kinds of linkages, in addition to the benefits for community members and the city as a whole, are powerful reminders of the importance of these kinds of provisions, and of the relationship between individuals' health and happiness and the best functioning of the city.

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<sup>50</sup> Knight Foundation 2024

<sup>51</sup> Knight Foundation 2024



## Cultural District Impact and Investment

Emeryville was selected as one of just 14 inaugural state-established Cultural Districts in 2017, highlighting the thriving cultural diversity and unique artistic identities across California, and received grant funding and technical assistance. A Cultural District, as outlined by the program, is a well-defined geographic area with a high concentration of cultural resources and activities. Cultural Districts are a tried-and-true way to increase economic vitality, while strengthening the cultural fabric of communities. Across the US, at least 16 statewide programs have established more than 343<sup>52</sup> unique cultural districts, which promote cultural equity, boost tourism dollars, encourage more local visitors, increase property values, and generate more money for the region and State, enhancing current economic development in each region and creating a multiplier effect with other industries. Locally, every \$1 million that the City of San Francisco invests in nonprofit art and cultural organizations generates \$17.5 million in economic output and supports 385 jobs.<sup>53</sup> The impact has been quite profound economically.

Some examples:

- In its first 10 years, the Pittsburgh Cultural District generated \$33 million in public investment, \$63 million in private and philanthropic investment, and \$115 million in commercial activity and \$19.1 million in tax revenues.<sup>54</sup>
- Maryland's Arts & Entertainment Districts supported more than \$1 billion in total state GDP during FY 2018. Approximately \$232.6 million was supported by new businesses formed within A&E districts' boundaries. The remaining \$806.3 million was supported by visitor spending at events and festivals supported by the A&E districts.<sup>55</sup>
- In Tucson, AZ, within three years of establishing a Cultural District, businesses in the district reported a 54% increase in their sales volume. In four years, the area's retail vacancy rate had declined by 50%, and sales tax revenues increased 11.7 %<sup>56</sup>
- The Cultural District in Nevada County, CA generates \$46.9 million in total economic activity per year, \$25.7 million by organizations and \$21.2 million in event-related spending by their audiences. It supports 869 full-time equivalent jobs, generates \$20.9 million in household income to local residents, and delivers \$5.1 million in local and state government revenue.<sup>57</sup>
- In 2019, Cleveland's Playhouse Square, the second-largest theater district in the United States, generated 2,500 jobs and attracted 645,000 out-of-town visitors, resulting in a direct spending impact of \$225.7 million.<sup>58</sup>

Many lessons on developing Cultural Districts for the Bay Area are detailed in a January 2025 SPUR policy brief, "Culture as Catalyst".<sup>59</sup> They write, "Their approaches suggest that sustained funding, good planning, creative uses of vacant spaces, cross-sector partnerships, and public realm investments are key ingredients of successful cultural districts." And while these numbers are not a guarantee of prosperity, or of ease in generating the kind of capital necessary to sustain a new arts organization and civic arts and culture center, particularly in the current climate, they are important to note.

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<sup>52</sup> NASAA 2020

<sup>53</sup> Bay Area Council Economic Institute 2021

<sup>54</sup> Frost-Kumpf, H. A. (1998)

<sup>55</sup> Frost-Kumpf, H. A. (1998)

<sup>56</sup> Daraius Irani 2019

<sup>57</sup> Americans For The Arts 2019

<sup>58</sup> McLitus & Srivastava 2025

<sup>59</sup> McLitus & Srivastava 2025



## Funding Sources Analysis

Arts funding falls into two categories, contributed and earned revenue. Within the category of contributed revenue, funding may come from government grants, as well as private philanthropy and individual giving.

### Public Funding

As previously indicated in this report, government funding often comprises a vital yet smaller portion of a given arts organization's operating budget. This is fortunate given the ax which has been wielded of late on federal funding, which then impacts each State.

However, local government, which plays the largest role in this component of arts nonprofit budgets has an important role to play in finding ways to support its community. "Having consistent investments through programs like Percent for the Arts or a dedicated tax allows cities to cultivate cultural assets that serve as economic and social anchors," write the authors of policy brief "Culture as Catalyst".<sup>60</sup>

Cities fund Arts and Culture via:

- TOT taxes
- Percent for the Arts programs
- Bond measures
- Portion of sales tax revenues
- In-kind support through the provision of reduced or no cost arts space

Combinations of these measures often provide strong lifelines to arts organizations and their relative steadiness supports the larger arts ecosystem. Fluctuations in tax receipts due to major changes and events such as the COVID-19 pandemic illustrated the fragility of some of these measures, but overall they tend to be less fickle than direct giving through municipal arts commissions or agencies, whose budgets can vary from year to year and whose robustness can depend on those who are in office. Ideally, a healthy mix of support provides the greatest stability and allows arts organizations and cultural centers to thrive.

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### Private Philanthropy and Donations

What kinds of arts are being funded? Grantmakers in the Arts reports that private philanthropic funding for the performing arts is up, and "accounted for over one-quarter (27%) of all foundation arts and culture dollars in

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<sup>60</sup> McLitus & Srivastava 2025

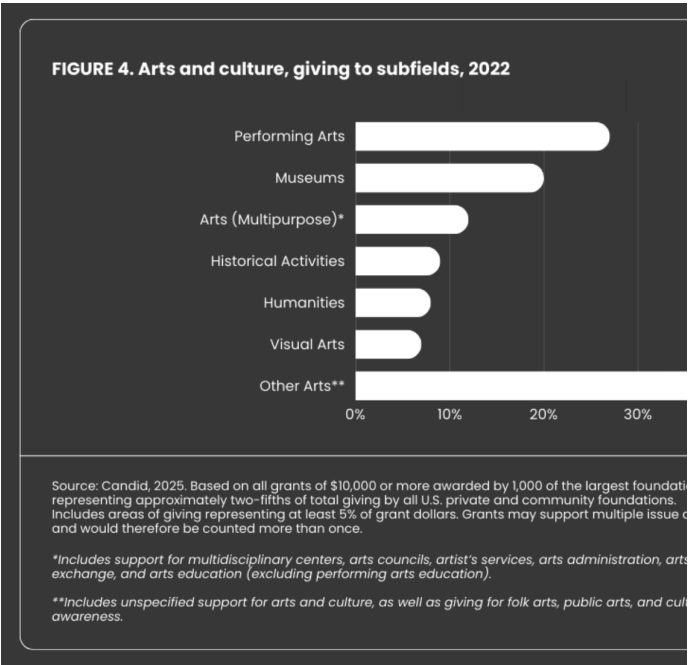


2022, surpassing the share reported for museums (20%).”<sup>61</sup> They report that performing arts centers and theaters benefited from one of the highest shares of giving for the performing arts in 2022, the year for which we have the most recent data. Visual arts programs and historical activities had the lowest measure of private grants, under 10% each.<sup>62</sup> As previously noted, larger nonprofits (with budgets over \$1 million) receive over 75% of foundation arts funding, despite making up less than 15% of nonprofit arts organizations. It is also important to note that program support accounted for the largest share of arts and culture grant dollars in 2022 (40% of all arts funding). Special programs and projects typically receive one of the largest shares of arts and culture grant dollars and grants. The same is true in most of the major fields, such as health and education, where program support consistently accounts for one of the largest shares of funding. This means that earned income or individual donations support the majority of non-programmatic expenses, putting pressure on the ability to maintain strong programming while having less for operating costs and the essential staff necessary to manage and facilitate programs within a facility. This is a delicate balance for many nonprofits, and there has been a push for funders to offer more, and more continuing, grants for operations. However, it remains a struggle for nonprofits generally.

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<sup>61</sup> Grantmakers in the Arts 2024

<sup>62</sup> Grantmakers in the Arts 2024



### Earned-Income and Expenses

#### Earned income potential

A major portion of a stable arts organization's budget frequently comes from earned revenue. On average, nonprofit arts organizations' income consists of 60% earned revenue, 30% contributed revenue, and 10% government funding, though it is important to note that this varies widely, and while it is useful as a reference, as mentioned previously, it should not be considered alone as a standard due to the vast variability of organizational budget composition.

There are many ways to achieve earned income as an Arts Center, including event hosting and other rentals, membership models, ticket sales, sponsorships, and classes. Several of these methods have been proposed for the Emeryville Arts and Culture Center over the last 15 years of planning. Arts education components can play a major role in any operational budget; this was the source of 60% of earned revenue on average for arts and cultural organizations.<sup>63</sup> Classes and outside events, as well as partnerships with other small local organizations, can fill out the calendar of the Center in between its own shows and productions.

The Emeryville Arts Center focus groups and advisory group have indicated an interest additionally in a small cafe and/or gift shop as a potential earned income source in combination with an attractive component to the Arts Center, highlighting its usage as a space where people gather and socialize while enjoying the arts space, and where local artists have the ability to sell their work, showcasing their talents and businesses. Although they are not usually high earning revenue sources, these components align strategically with the Center's role in showcasing local artists and their work, and being a community connection space. More detailed operational budgets in the next report will analyze the costs of these efforts.

<sup>63</sup> Cohen 2021



## Past models

Past models of the Emeryville Arts Center have varied in their assumptions and recommendations on the issue of earned income. The 2009 Emeryville Arts Center Business Plan, produced by Museum Management Consultants, developed working operational budgets as well as a preliminary income and expense budget for the Center's start up and first several years of operation. The planning was done with an eye to aligning Emeryville's Arts Center with the operating models of similarly sized and programmed arts and culture centers wherein the City provides the facility as in-kind support, such as in Richmond, Salt Lake City, Pasadena, and Chicago. San Francisco also uses this model for many of their district art and culture centers. Below is a table comparing these peer group Art Centers, from Museum Management.

Peer Group Statistics

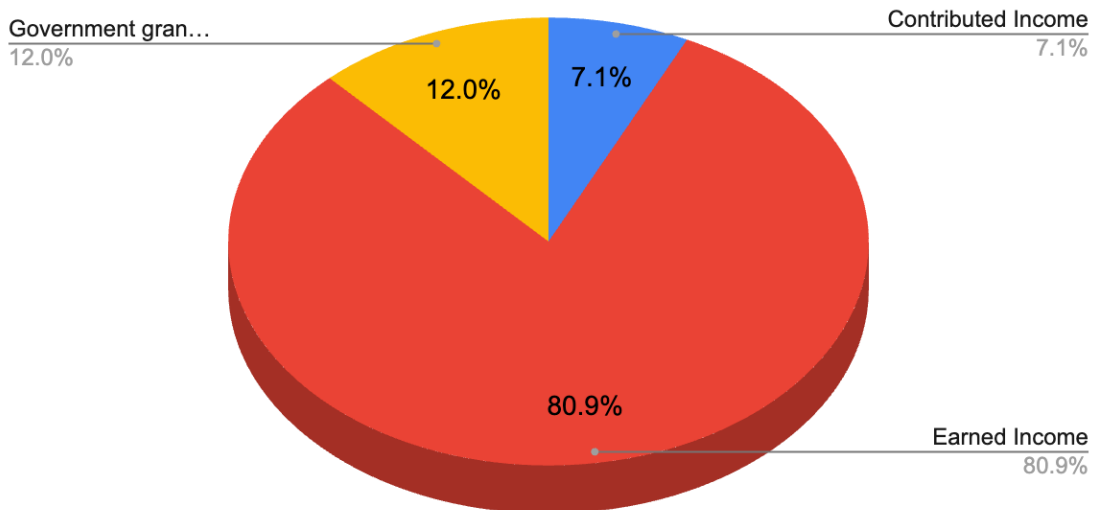
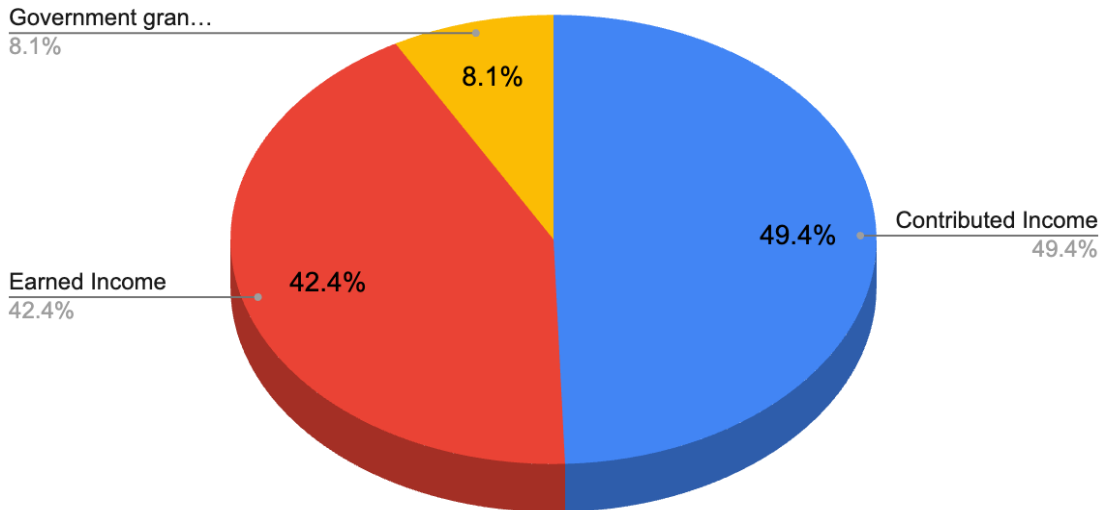
Art Center	Facility Size (Gross) in Square Feet	Exhibition Space as Percentage of Total Space	Annual Attendance	Operating Expenses*	Cost per Square Foot	Cost Per Visitor	Full-time Staff	Full-Time Staff per 10,000 Square Feet
Armory Center for the Arts <i>Pasadena, California</i>	26,000	35%	100,000	\$2,200,000	\$85	\$22	15	6
Hyde Park Art Center <i>Chicago, Illinois</i>	32,000	30%	52,000	\$1,800,000	\$56	\$35	11	3
Richmond Art Center <i>Richmond, California</i>	25,000	40%	50,000	\$481,000	\$19	\$10	3	1
Salt Lake Art Center <i>Salt Lake City, Utah</i>	30,000	50%	18,000	\$966,000	\$32	\$54	10	3
Average:	28,250	39%	55,000	\$1,361,750	\$48	\$30	10	3
Emeryville Art Center	30,000	30%	35,000	\$897,000	\$30	\$26	6	2

\* Based on IRS Form 990s and audited financial statements for the 2007 calendar year.

In contrast, 10 years later, when the City restarted the Art Center development process and brought on Orton Development Inc (ODI), the 2020 ODI financial pro forma indicates the business model to be prefaced on rentals as the major source of income, and that the rental of the space from Orton, and then from Orton and the City jointly, is a major expenditure for the operating organization(s) which use the Center.

MMA and ODI estimates differed significantly in their estimations of income. MMA estimated about 50% in contributed income to 42% earned income, and 8.1% in government grants. Earned income was a mix of ticket sales as well as membership dues and the rental of the theater and other spaces. ODI, on the other hand, expected roughly 80% of the income to be earned, based almost totally on rental occupancy of the building.

MMA estimates for the Emeryville Arts Center:





### Potential Expenses

The ODI pro forma indicates a year one net operating income of \$634,556 based overwhelmingly on rental and events income. Over the 15 year period that ODI calculated, the rental of the separate arts spaces within the Arts Center were to have grown to \$1,041,000 by year 15. This money was to fund a revenue-sharing agreement between the City and ODI, such that ODI's investment in the building was paid back by Year 11, and then through a 50/50 split of revenue earned through year 15 with the City, once ODI's equity in the building was paid off.

This type of arrangement is typical in housing development and commercial ventures. However, although it succeeds in raising a building, it limits the artistic capacity and purview of its occupants by ensuring the first and main objective of the varied occupants is to earn enough money to pay rent, limiting programming capacity to the highest paying ventures without regard to artistic merit, local artistry, or community need. ODI's proposed operational model is based on earned income to such a high degree because it supposes the expense of the lease for the arts organization animating the Arts Center, as well as the repayment and then profit-sharing arrangement for the City and Developer. While the Developer may be able to use state law disallowing the collection of property taxes for nonprofits under the Welfare Exemption, or avoid possessory interest property tax via City-owned buildings, such an arrangement runs the risk of essentially creating a for-profit structure within a nonprofit shell.

While earned income can be a strong stabilizing force for any nonprofit organization, their missions and legal existence via the IRS are postulated on their ability to provide benefit to society above all.

In either case, personnel costs were roughly half of each model's operating costs (47% and 49%, respectively), and the other expenses varied in greater part (split across facilities, programming, marketing, fundraising expenses, and other costs). The important thing to note here is how each operating model must be organizationally structured to support the kind of revenue generation necessary to meet its expenses. When 80% of your revenue generation depends upon hosting events and renting out your facility, your artistic programming costs are lower and your personnel types support this kind of marketing and facilities management over artistic leadership and community-based programming.



## Development of Operational Models

Various operational framework models are possible for the Emeryville Arts and Culture Center. They vary in the levels of control and responsibility assumed by the city, and those managed by partner organizations. This section examines the implications of these models, guided by critical questions regarding the necessity for private financial investment, the appropriate extent of the City's responsibilities, and the potential for a dedicated nonprofit organization to lead management efforts. We here aim to identify pathways that balance public oversight with community engagement, ensuring that the facility serves its intended purpose effectively while navigating the complexities of funding and management.

- |   |  |
|---|--|
| <b>1</b> :: <b>Primarily by the City</b>  | The center's operations and funding would be fully managed by City departments   |
| <b>2</b> :: <b>Primarily by a nonprofit arts organization</b>                             | The City may provide base funding or lease the building at no cost, but the burden of management and artistic direction would lie primarily with the tenant organization(s).   |
| <b>3</b> :: <b>Construed as a Developer-led model, a public-private partnership (PPP)</b> | The City would collaborate with developers to establish an arts space as part of a larger mixed-use development. It is a Public-Private Partnership (PPP) that allows for a blend of public and private funding, leveraging private investment while maintaining city oversight. |
| <b>4</b> :: <b>A combination of models 1 to 3</b>   | The art center's operational framework would be some combination of two or three of the above models. In-kind and/or fundraising mechanisms would be potential funding sources.  |

We can think about the level of oversight and responsibility of the Center on a continuum, with varying funding structures and management approaches per approach. On the one end, a fully City-Operated Model features full support for the Arts Center from the City, ensuring stable operations through a City department, such as Community Development or Community Services. On the other end of the continuum, the City can work with a developer, often relieving the City of direct management responsibilities, but at the cost of a potential loss of control over programming which then needs must be driven by earned revenue sufficient to cover the developer's investment.

In between lie several models which are discussed below.



### 1. City-Led Model

The **City-Operated Model** features full funding from the city, ensuring stable operations through a department, such as Community Development or Community Services in the City of Emeryville, but may face bureaucratic delays and limited flexibility. It also requires the full commitment of the City for the continued funding of the Arts Center, including the ability to staff and manage it.

### 2. Organizational-Led Models

There are three possible organization-led models for managing the facility, each offering differing funding mechanisms and operational frameworks. In these, the city may provide base funding or lease the building at a low cost, but the burden of management and artistic direction would lie primarily with the organization(s). Together, these models highlight the potential for community-driven governance and diverse funding strategies in operating the facility.

- a. The Nonprofit Management Model places responsibility in the hands of a nonprofit, which secures funding through various channels such as grants and donations while handling day-to-day operations. This model is flexible but relies heavily on effective leadership and consistent fundraising efforts on the part of the nonprofit partner.
- b. The Artist Cooperative or Collective Model emphasizes community engagement, allowing a group of artists to collaboratively govern the space and generate revenue through diverse activities.
- c. Lastly, the Hybrid Model combines elements of greater city support with nonprofit management, enabling a mix of public oversight and private operational flexibility.

### 3. Developer-Led Models

A Developer-Led, Arts Hub Model is a framework in which the city collaborates with developers to establish an arts space, sometimes as part of a larger mixed-use development. It is a public-private partnership that allows for a blend of public and private funding, leveraging private investment while maintaining city oversight. This model typically involves funding through tax incentives or zoning benefits, allowing for the integration of cultural infrastructure into urban planning. In this model, the arts organization is the tenant, and pays rent or lease to the developer. It necessitates careful negotiation to ensure community benefits are prioritized and that an arts organization can thrive and provide the services desired by the community. The initial recommendation of the Arts Center Advisory Group eschews this model and prefers financing the project via a capital campaign that depends on public and private contributions. If the capital campaign is successful, a developer-led model would not be necessary.



# Comparative Analysis of Models

## Methodology

This approach combines the Art Center visioning process input, market analysis, and funding sources analysis to develop a comprehensive approach to choosing the best suited partnership operating model. Our goal is to find the best balance between public oversight and community engagement, ensuring that the facility effectively fulfills its intended purpose while adeptly navigating the complexities associated with funding and management.

As such we rank the models by the following three criteria:

- Financial feasibility
  - For the City of Emeryville
  - For the long term viability of the Arts Center
- Strategic Alignment
  - Best fit with the Arts Center’s vision and community needs
- Risk Assessment
  - Identifying financial, operational, and stakeholder risks

	Financial Feasibility for City	Financial Feasibility for Arts Partner	Strategic Alignment	Risk Assessment
City-led Model				
Nonprofit-led Model				
Arts Coop Model				
Hybrid City-Nonprofit				
Developer-led Model				

<i>Very poor/high risk</i>	
<i>Poor</i>	
<i>Somewhat aligned</i>	
<i>Aligned</i>	
<i>Strong Alignment</i>	



## Financial Feasibility Comparison

In this section we examine financial feasibility from two different perspectives: that of the City, and that of a potential arts partner organization, as both must be mutually benefited by the arrangement in order to provide the community asset desired. Which model is most financially feasible for both? Which model allows for the stable provision of community responsive programming while taking into account the demands and parameters of the city budget? What will be most viable over the long term?

**City-led Model:** In a City-led model, the City bears the full responsibility for all aspects of the Arts Center, from day-to-day operations to artistic choices.

Given the current budget outlook of the City, and the current department and personnel structure, it is not in a position to lead the management and operations of a dedicated arts and cultural center. For these reasons, this model scores very low on the financial feasibility criteria, either with the lease model or the direct City management model.

**Organizational-led Model:** These models rank higher in terms of their financial feasibility because of the strength possible in a combination of entities (city and partner organizations) and their relative abilities to generate the revenue necessary to operate an Arts Center. Of these three variations, the balance of stability lies in the strength of the partnership.

1. For this reason, an arts collective-led model ranks slightly lower because of the added administrative work of coordinating amongst multiple small organizations sharing a space, in combination with data indicating that larger organizations are more stable and receive larger share of grants, as well as larger grants (though this is, of course, relative to the size of the organization). Multiple small organizations also duplicate back-end administrative needs and are, therefore, somewhat less efficient in the sustaining of an Arts and Culture Center. It also means that the City would need to negotiate with several organizations, rather than one.
2. In a purely organization-led model, responsibility for the operations of the art Center is totally in the hands of a nonprofit, which secures funding through various channels such as grants, individual donations, and earned income, while handling day-to-day operations. This model is flexible but relies heavily on the consistent fundraising efforts of the nonprofit partner. This effort is a time-consuming portion of any organization; fundraising budgets can account for upwards of 20% of expenses, and a great deal of staff time, particularly for new organizations.
3. **The hybrid model, which puts the day-to-day management and artistic vision in the hands of an arts and culture nonprofit entity with dedicated City support through the supply of the Art Center facility at low or no-cost to the nonprofit receives the highest ranking for financial viability.** When this can be done in such a way as to be as financially viable to the City while providing the most robust public benefit and greater return on investment via the focus of fundraising efforts, you create a stable model for a long-running institution serving the community. In this model, an allocation of resources and responsibility creates the most robust and efficient system. Although it does not earn income for the City, it can mitigate the costs of the facility through an agreement with respect to the ongoing maintenance and operation. A recommended design for this hybrid system will be implemented in the next report.



### Developer-led (PPP) Model:

Public-private partnerships are often formed in housing development and commercial ventures. However, although it succeeds in raising a building, they limit the artistic capacity and purview of its occupants by ensuring the first and main objective of the varied occupants is to earn enough money to make rent or lease payments, limiting programming capacity to the highest paying ventures without regard to artistic merit, local artistry, or community need. While the developer may be able to use state law disallowing the collection of property taxes for nonprofits under the Welfare Exemption or avoid possessory interest property tax via City-owned buildings, such an arrangement runs the risk of essentially creating a for-profit structure within a nonprofit shell. While earned income can be a strong stabilizing force for any nonprofit organization, their missions and legal existence via the IRS are postulated on their ability to provide benefit to society above all. This model, if undertaken, must be balanced by a careful provision for the animating resident arts entity's ability to function unburdened by excessive costs due to rent or lease. Some potential ways to achieve this are included below and are not mutually exclusive:

1. Offering air rights to the developer.
2. Fundraising a sufficient balance of the building and initial outlay costs through a combination of a capital campaign with naming rights, membership, or other offers; so that the cost burden shouldered by any party is as low as possible
3. Exploration of CIP funding, a bond, a portion of Transient Occupancy Tax (i.e. hotel) funds, or inclusion of the Arts Center in a potential future sales tax measure.

### **Strategic Alignment**

The Arts Center's vision, mission, and community needs are the focus of this criterion. As a gathering place for educational, aesthetic, and intellectual experiences, the Art Center is intended to serve the Emeryville community and beyond, acting as a regional arts space as well offering specific opportunities to Emeryville artists and residents. The Art Center is intended to be a vital and appealing venue for civic, business, and social events, and will be designed to accommodate changing needs and reflect the latest in technology.

**City-led Model:** A City-led model ranks low in this criterion of strategic alignment. In this vision, the City must manage the Center's operations and artistic choices entirely. While the City may theoretically be able to provide this kind of management and community responsiveness, it does not have the capacity to do so, being limited by its own budget. Adding these responsibilities to current staff is not possible; hiring additional staff is also not a viable option given the budget outlook. If this was not a constraint, City management is still limited by a level of bureaucracy in its ability to plan, hire, and fundraise compared to a non-governmental organization. Additionally, an arts provider at arm's length from the City, able to make independent artistic choices, is in closer alignment with the desire and vision of the community, and a healthy division of responsibility. For these reasons, this model receives a low ranking in this criteria.

**Organizational-led Model:** There are 3 approaches within this main model: The **Nonprofit Management Model** places responsibility in the hands of a nonprofit, which secures funding through various channels such as grants and donations while handling day-to-day operations, with less City support. The **Artist Cooperative or Collective Model** emphasizes community engagement, allowing a group of arts organizations to collaboratively govern the space and generate revenue through diverse activities. Lastly, the **Hybrid Model** combines elements of city engagement and support with nonprofit management, enabling a mix of dedicated public involvement and private operational flexibility.

All these models highlight the potential for community-driven governance and diverse funding strategies. Of the three, all are capable of fulfilling the strategic vision and objectives of the Arts Center as developed thus



far. They place the onus of artistic and community choices squarely in the hands of a local arts nonprofit or group of them, and allow for their management and day to day operational support of the physical structure as well as other programming, be that for classes, City or community events, space rentals to other arts providers, etc. Backed by a nonprofit governing board made up of local community members, dedicated to serve Emeryville residents as well as the wider Bay Area community, these options are well structured to provide for the Art Center's objectives.

**Developer-led (PPP) Model:** This model's strategic alignment with the goals for the Arts Center are difficult to quantify cleanly. On its own, this model stands perhaps furthest from these goals, as it typically places the burden of repayment on the organizational entity residing in the building. This leads to a need to focus programming and efforts totally on earned income models, with as little staff overhead as possible, effectively relegating the mission and vision of the Arts Center to a part-time rentals manager rather than an artistic director who would be tasked with formulating a season interweaving public interest with earned revenue opportunities as well as philanthropic funding. However, with a balance of other funding sources for the build and initial outlay costs, and a threeway agreement between the City, developer, and an arts entity as to the allocation of rights and decision making powers, it may be a feasible strategic match.

### **Risk Assessment**

The focus of this section is on identifying the financial, operational, and stakeholder risks for each model.

**City-led Model:** A city-led model, if achievable, is at lower risk financially and operationally; the question is whether it is possible or desired. Given the known constraints of the budget and the uncertain financial forecast for the next few years, taking on the full operational responsibility of the Arts Center, with limited ability to apply for and receive philanthropic funds, is unlikely to be possible. The stakeholder at a loss in this scenario is the Emeryville community, and the overall vision for the Arts Center. In the City-led mode, bureaucratic hurdles make operational decision making slow, conservative in approach, and less able to be responsive to community needs and the arts market.

**Organizational-led Model:** Organization-led models are not bereft of risk, and the three subtypes we have examined rank differently from each other.

The **Nonprofit Management Model** places responsibility in the hands of a nonprofit, which secures funding through various channels while handling day-to-day operations. It is substantially less reliant on support from the City and therefore prone to the usual threats of the nonprofit organization: the changing aims of philanthropy, and the Center's ability to provide engaging offerings and draw an audience to achieve the right proportion of earned income to contributed income, dependent on the interests of the community and their ability to pay and to engage.

**A Collective or Cooperative Model** has the same risks and uncertainties and can both mitigate and exacerbate these concerns. On the one hand, multiple organizations in residence can provide a nuanced understanding and level of responsiveness to community needs. However, they fundraise separately, and for smaller portions of a budget, and all must collectively be able to hold their weight. Decision-making for the operations of the Center becomes more complicated with a less-streamlined leadership structure, as does **relationships and communication** with the City.

**A Hybrid Model** uses nonprofit leadership and management but mitigates financial risk by relying on the City to support the Arts Center by providing the building at low- or no-cost, lowering the expenses of the organization and thereby lowering its risk of failure and increasing its ability to provide the most services to the



community. While this model enables a mix of dedicated public involvement and private operational flexibility, it means the City must be willing to forgo expectation of a to-be negotiated amount of income or profit from the Center, and be content to hold the structure as an asset, in main. This model provides for the strongest provision of community responsiveness and artistic engagement for the level of financial risk. Ongoing upkeep to the building, as in other organizational-led models, will need to be carefully negotiated between the City and arts nonprofit.

**Developer-led Model:** While this model encourages investment, there are inherent risks, specifically that commercial interests will easily overshadow the community's art needs. This risk is not just an artistic one, or a misalignment strategically to the goals for the Arts Center, although these rank equally in this analysis, because the longer-term ramifications of this misalignment can lead to financial instability as well, such as the possibility of churning through multiple arts entities due to their inability to program and fundraise at the level necessary to afford the developers' return on investment, and the risk to the City should it be unable to find an appropriate arts partner to animate the Center. Similar to the lease model discussed above, while it encourages initial investment, without a careful balance it can easily become ineffective in all areas.



# Recommended Models

## Hybrid City-Arts Partnership Model

This model offers the highest financial feasibility for a long running and stable arts organization, in partnership with the City. It combines the highest strategic alignment with the least risk and most viability for the ongoing and vibrant full use of the Arts Center as a community resource. Its risk is the necessity of a completely effective fundraising method for the building and initial outlay costs of developing the Arts Center, and the time to form and develop the nonprofit entity.

## Alternate Path: Public Private Partnership

If fundraising efforts are successful, this model is not necessary for the project to advance. However, if this approach should be deemed unfeasible, or only partially feasible, it will behoove the City. rethink this avenue and pursue a public-private partnership with a developer for the purposes of affording construction and the furnishment of the Center. If it should do so, careful negotiation will be necessary to achieve an agreement that is beneficial enough to the developer while maintaining community rights in the provision of programming at a level sufficient to maintain their viability in offering robust community arts programming. If the financial burden placed on any arts entity is too large, it will struggle to succeed, leaving the potential of a vacant Center, or subject to a shifting cast of inhabitant organizations, or a commercial lease that doesn't center community needs but is deemed necessary to balance costs.

**The “middle road” here is that the operating partnership model be as close as possible to the recommended “Hybrid” model, with as little stress as possible financially, artistically, and programmatically borne by any party.** A stable, empowered, community-based arts nonprofit partner, capable of managing the Arts Center and its programming, is essential for the animation of the Arts Center as desired by the Emeryville community.



# Preliminary Budget Development

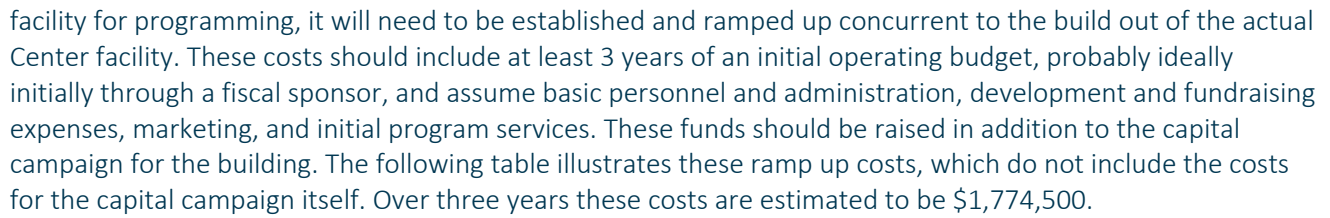
The initial Emeryville Arts Center budget developed in 2011 as part of the business plan assumed 30,000 square feet and an \$897,000 yearly operating budget. According to the US Bureau of Labor Statistics CPI Inflation calculator, this would be the equivalent of \$1.3 Million in 2025 dollars. A budget of this size places the Arts Center in the category of larger “medium” sized organizations, increasing its likelihood of survival based on the viability study conducted by Sustain Arts. The budget reflects reasonable and well-founded assumptions for nonprofit operations, including sustainable projections for earned income, contributed revenue, and operating costs. The allocation of resources demonstrates a thoughtful and prudent balance between programmatic, administrative, and fundraising expenses, consistent with best practices in nonprofit financial management and supportive of developing long-term operational sustainability. Adjusted slightly, the first three years of operations within the facility could look like this:

Revenue		
Contributed Income	\$607,500	49%
Earned Income	\$521,500	42%
Government grants/in-kind	\$100,000	8%
Investment Income	\$0	0%
Total Revenue:	\$1,229,000	100%
Expenses		
Personnel	\$607,500	49%
Administration and Development	\$151,500	12%
Facility	\$175,000	14%
Program Services	\$175,000	14%
Marketing and Public Relations	\$80,000	7%
Other	\$40,000	3%
Total Expenses:	\$1,229,000	100%
Revenue Less Expenses:	\$0.00	

While the building itself would not, in this model, require a rent or lease payment, the organization will still incur expenses related to maintenance, utilities, and insurance, particularly to an arts space with theater facilities and recurring exhibitions. A good starting point is to allocate 10-15% of the total operating budget to facility-related expenses, according to FinModels Lab.<sup>64</sup>

A full budget will follow as part of the next report focusing on the development of the arts organization itself, but it's important to note here that prior to the ability of an arts organization to begin using the Arts Center

<sup>64</sup> FinModelsLab 2025

PARTNERSHIP AND OPERATING MODELS FOR THE EMERYVILLE ARTS CULTURAL CENTER | PAGE 39

## Conclusion

The Emeryville Arts and Cultural Center represents a strategic opportunity to foster arts, culture, and community engagement within the region. The comprehensive analysis and recommendations outlined in this report emphasize the importance of adopting a sustainable, collaborative operational model that balances public oversight with private sector involvement.

Such a model—specifically, a hybrid City-Arts Nonprofit approach—emerges as the most viable strategy to ensure the Center’s financial stability, relevance, and long-term success. By leveraging the strengths of both the City and a dedicated nonprofit partner, Emeryville can create a dynamic cultural destination that supports artistic expression, economic growth, and community vitality. However, should it be impossible to raise sufficient funds for the Center through a capital campaign, the City may consider a combination of revenue generating and financing options, using a private developer and taking a careful approach to retaining artistic and community-based programming and decision-making.

### **The Arts Center has the potential to serve as a vital resource for artistic development.**

Furthermore, this report underscores the economic and social benefits that a thriving arts institution can bring to Emeryville. With the potential to generate significant economic activity—supporting jobs, attracting regional audiences, and catalyzing private investment—the Arts Center aligns with broader city goals of economic resilience and cultural enrichment. The region’s vibrant arts community and Emeryville’s strategic location position the Center to become a key component of the local cultural landscape, drawing visitors and residents alike to participate in diverse programming and community events.

This is all despite recent, sudden changes in arts funding at the federal level are impacting the arts ecosystem in far reaching ways. As the project advances, careful attention to the operational partnership balance, funding strategies, and community support will be essential to its success, particularly in this environment. However, building on the strong foundation of long-running local enthusiasm and regional arts infrastructure, Emeryville can position the Arts Center as a lasting symbol of the city’s commitment to its community and to cultural excellence, and execute on that vision. The Arts Center has the potential to serve as a vital resource for artistic development, community engagement, and economic growth for years to come, fulfilling its role in the heart of Emeryville.





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